

Message Text

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ACTION ARA-14

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LIMITED OFFICIAL USE SECTION 1 OF 3 BRASILIA 3445

E.O. 11652: N/A
TAGS: EFIN, BR
SUBJ: PRESIDENT CARTER ON HUMAN RIGHTS AND U.S. COMMERCIAL BANKS

1. SUMMARY. DURING PRESIDENT CARTER'S VISIT TO BRAZIL, HE RESPONDED TO PRESS CONFERENCE QUESTIONING BY REJECTING ANY ATTEMPT BY CONGRESS TO LINK HUMAN RIGHTS POLICY AND LENDING IN BRAZIL BY U.S. COMMERCIAL BANKS. RESPONSE IN BRAZILIAN FINANCIAL CIRCLES HAS CONSISTED OF LOW-KEY EXPRESSION OF SATISFACTION AND SUGGESTION THAT THE PRESIDENT'S COMMENTS WERE PERHAPS MORE RELEVANT TO OTHER COUNTRIES THAN BRAZIL. END SUMMARY.

2. IN HIS PRESS CONFERENCE IN BRASILIA MARCH 30, 1978 PRESIDENT CARTER WAS ASKED ABOUT THE POSSIBILITY OF CONGRESS LINKING HUMAN RIGHTS TO THE ROLE OF U.S. COMMERCIAL BANKS IN BRAZIL. HE RESPONDED THAT GIVEN U.S. COMMITMENT TO THE PRINCIPLES OF FREE ENTERPRISE, IT WOULD BE
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INCONCEIVABLE THAT CONGRESS WOULD TRY TO RESTRICT U.S. PRIVATE BANK LENDING TO BRAZIL. HE ADDED THAT IF CONGRESS DID PASS SUCH AN ACT, HE WOULD NOT APPROVE IT. WHILE REITERATING THE BASIC COMMITMENT OF THE U.S. PEOPLE TO ENHANCING HUMAN RIGHTS, THE PRESIDENT STATED THAT THERE IS NO INCOMPATIBILITY BETWEEN THAT BELIEF AND THE BELIEF IN A FREE ENTERPRISE SYSTEM.

(THE FULL TEXT OF THE QUESTIONS AND RESPONSES
FOLLOWS IN PARA 7.)

3. PUBLIC COMMENT ON PRESIDENT CARTER'S SPECIFIC
STATEMENT ON HUMAN RIGHTS AND COMMERCIAL BANKS HAS
BEEN MINIMAL. IN THE BROADER CONTEXT OF REFERENCE
TO HUMAN RIGHTS POLICIES, IT WAS OF COURSE NOTED THAT
THE PRESIDENT AVOIDED DIRECT COMMENT ON HUMAN RIGHTS
CONDITIONS IN BRAZIL PER SE. HIS RESPONSE TO THE
QUESTION RELATED TO U.S. BANKS UNDOUBTEDLY
REINFORCED THE GENERAL IMPRESSION THAT HE
FORCEFULLY REITERATED U.S. PRIORITY CONCERN FOR
HUMAN RIGHTS BUT WITHOUT OFFENDING BRAZILIAN
SENSITIVITIES ON THE SUBJECT. INDEED IT DID NOT
GO UNNOTICED IN FINANCIAL CIRCLES THAT THE
PRESIDENT CLEARLY DELIMITED THE MEANS BY WHICH
THE U.S. MIGHT ATTEMPT TO IMPLEMENT ITS HUMAN
RIGHTS POLICIES.

4. LOW-KEY SAMPLING OF GOB FINANCIAL OFFICIALS
AND PRIVATE SECTOR BUSINESSMEN AND BANKERS REVEALED
GENERAL SATISFACTION WITH PRESIDENT CARTER'S
COMMENTS. GOB SPOKESMEN SUGGESTED THAT DESPITE
CONGRESSIONAL INTEREST AND U.S. INTRODUCTION OF
HUMAN RIGHTS CONSIDERATIONS IN THE INTERNATIONAL
DEVELOPMENT BANKS, THEY (THE GOB) HAD NEVER THOUGHT
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SERIOUSLY THAT THE USG WOULD CONTEMPLATE LINKING
HUMAN RIGHTS TO U.S. COMMERCIAL BANK ACTIVITY.
CENTRAL BANK DIRECTOR FERNAO BRACHER CHARACTERIZED
THE PRESIDENT'S STATEMENT AS MOST APPROPRIATE AND
NOT UNEXPECTED. THE CHIEF OF THE MINISTRY OF
FINANCE'S INTERNATIONAL DIVISION EXPRESSED LITTLE
SURPRISE WITH THE STATEMENT BUT ADDED THAT IT WAS
HELPFUL IN LAYING TO REST ANY FEARS BANKERS MAY HAVE
HAD. BOTH CENTRAL BANK AND FINANCE MINISTRY
SPOKESMEN ALSO COMMENTED THAT THE QUESTION ITSELF
(MADE BY A BRAZILIAN CORRESPONDENT) WAS PERHAPS
UNNECESSARY BECAUSE QUOTE BRAZIL'S HUMAN RIGHTS
RECORD HAS BEEN IMPROVING AND THE U.S. HAS NOT
EVEN OPPOSED DEVELOPMENT BANK LOANS TO BRAZIL
ON HUMAN RIGHTS GROUNDS END QUOTE.

5. COMMENTS BY BANKERS AND BUSINESSMEN ALSO
REFLECTED VERY LITTLE REACTION TO THE PRESIDENT'S
REJECTION OF ANY LINK BETWEEN HUMAN RIGHTS AND
BANK LENDING. MOST INDIVIDUALS WELCOMED THE

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STATEMENT AND SEVERAL FELT THAT IT CONTRIBUTED
POSITIVELY TO U.S.-BRAZILIAN RELATIONS. AT LEAST
TWO BANKERS NOTED THAT THE PRESIDENT'S COMMENTS WERE
UNEQUIVOCAL IN OPPOSING ANY LINKAGE. THEY ALSO
FOUND THE PRESIDENT'S REFERENCE TO THE IMPORTANCE OF
THE PRINCIPLES OF FREE ENTERPRISE QUOTE REFRESHING
END QUOTE. SEVERAL U.S. BANKERS EXPRESSED CONCERN
IN MID-1977 TO FINATT AND CONSULAR OFFICERS ABOUT
A POSSIBLE QUOTE HARKIN AMENDMENT FOR PRIVATE BANK
LOANS END QUOTE. HOWEVER, THESE CONCERNS HAVE
VIRTUALLY DISAPPEARED AS INDICATED BY THE VERY LOW-
KEY RESPONSE TO THE PRESIDENT'S COMMENTS. SEVERAL
SPOKESMEN CHARACTERIZED THE PRESIDENT'S REMARKS
AS SIMPLY CORRECT AND APPROPRIATE. OTHER BANKERS
ACTUALLY FELT THE PRESS EXCHANGE WAS IN SOME RESPECTS
IRRELEVANT, EITHER BECAUSE OF THE ABSENCE OF SERIOUS HUMAN
RIGHTS PROBLEMS IN BRAZIL OR BECAUSE GOVERNMENTAL RESTRICTIONS
ON PRIVATE BANK LENDING TO BRAZIL WOULD BE EXTREMELY
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DIFFICULT TO ENFORCE. THERE WERE COMMENTS FOR INSTANCE THAT CONTROLS WOULD BE IMPRACTICABLE AND ANY ADDITIONAL DISCLOSURE REQUIREMENTS FOR LOANS TO LDCS WOULD BE REDUNDANT BECAUSE OF EXISTING REQUIREMENTS BY THE FEDERAL RESERVE BOARD, OTHER USG ENTITIES AND, IN SOME CASES, THE BANKS' OWN STOCKHOLDERS. ONE AMERICAN BANKER WHO VISITED BRAZIL SHORTLY AFTER THE PRESIDENT SUGGESTED THAT ANY OFFICIAL ATTEMPT TO DISCOURAGE OR PROHIBIT U.S. BANK LENDING TO BRAZIL FOR HUMAN RIGHTS OR OTHER REASONS WOULD FAIL. HIS REASONING WAS THAT THE BANKS HAVE MONEY TO LEND AND BRAZIL IS AN ATTRACTIVE BORROWER AND THE FLOW OF FUNDS FROM THE ONE TO THE OTHER WILL TAKE PLACE, IF NECESSARY, BY TRANSACTIONS INVOLVING U.S. BRANCH BANKS ABROAD AND USE OF OTHER OFF-SHORE BANKING INSTALLATIONS.

6. A FEW U.S. BANKERS BELIEVED THAT THE PRESIDENT'S COMMENTS HAVE GREATER SIGNIFICANCE FOR CERTAIN OTHER COUNTRIES THAN FOR BRAZIL. SEVERAL MENTIONED THAT ALTHOUGH USG ACTION MAY NOT BE LIKELY, THEY ALREADY HAD DECIDED TO TAKE STEPS ON THEIR OWN TO LIMIT LENDING TO SOUTH AFRICA BECAUSE OF HUMAN RIGHTS CONSIDERATIONS. A REPRESENTATIVE OF ONE LARGE REGIONAL U.S. BANK REVEALED DURING A BUSINESSMEN'S ROUNDTABLE THAT HIS BANK HAS DECIDED NOT TO EXTEND LOANS TO CHILE. ON THE OTHER HAND, SEVERAL NEW YORK AND CHICAGO BANKERS TRAVELLING FROM THE U.S. INDICATED TO FINATT THAT PRESIDENT CARTER'S COMMENTS LINKING HUMAN RIGHTS AND PRIVATE BANK ACTIVITY WERE PARTICULARLY WELCOME BECAUSE OF THE POSITIVE IMPLICATIONS FOR THEIR CONTINUED LENDING TO CHILE. ONE BANKER WHO WAS IN CHILE AT LIMITED OFFICIAL USE

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THE TIME OF THE PRESIDENT'S BRASILIA PRESS CONFERENCE SAID THAT MANY PEOPLE WITH WHO HE TALKED IN CHILE WERE VERY PLEASED AND RELIEVED UPON READING ACCOUNTS OF THE PRESIDENT'S COMMENTS.

7. TEXT OF EXCERPT FROM UNOFFICIAL TRANSCRIPT OF PRESS CONFERENCE OF PRESIDENT CARTER, 0900, MARCH 30, 1978, BRASILIA. QUOTE
QUESTION: THE AMERICAN COMMERCIAL BANKS ARE THE MAIN BRAZILIAN SOURCE OF EXTERNAL CREDIT. IT SEEMS TO SOME PEOPLE IN WASHINGTON THAT SOONER OR LATER A CONGRESSMAN MAY TRY TO ESTABLISH A LINK BETWEEN COMMERCIAL BANKING LOANS AND THE HUMAN RIGHTS POLICY. I WOULD LIKE TO KNOW YOUR OPINION ABOUT THIS SUBJECT.

THE PRESIDENT: BRAZIL IS A MAJOR TRADING
PARTNER OF THE UNITED STATES, IN COMMERCIAL GOODS
AND ALSO IN LOANS AND I MIGHT SAY TIMELY REPAYMENTS.
THE DEBT OF BRAZIL IS VERY MANAGEABLE. THE LOANS
OF THE AMERICAN BANKS TO BRAZIL ARE SOUND.
ADDITIONAL LOANS ARE BEING PURSUED BY THE AMERICAN
BANKS AS AN EXCELLENT ADVANTAGE FOR THEIR FUTURE
INVESTMENTS IN BRAZIL BASED ON THE STRENGTH OF
YOUR COUNTRY. IT WOULD BE INCONCEIVABLE TO ME
THAT ANY ACT OF CONGRESS WOULD TRY TO RESTRICT
THE LENDING OF MONEY BY AMERICAN PRIVATE BANKS TO
BRAZIL UNDER ANY CIRCUMSTANCE. THIS WOULD VIOLATE
THE PRINCIPLES OF OUR OWN FREE ENTERPRISE SYSTEM

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AND IF SUCH AN ACT WAS PASSED BY CONGRESS, I WOULD
NOT APPROVE IT.

QUESTION: WHAT IS IN THE FIRST PLACE FOR YOU:
THE PRIVATE ENTERPRISE AND THE PRIVATE SYSTEM OR
THE HUMAN RIGHTS POLICY;

THE PRESIDENT: THEY ARE BOTH IMPORTANT TO US.

AND I DON'T SEE ANY INCOMPATABILITY BETWEEN A BELIEF
IN A FREE ENTERPRISE SYSTEM WHERE GOVERNMENT DOES
NOT DOMINATE THE BANKS OR THE PRODUCTION OF
AGRICULTURAL PRODUCTS OR COMMERCIAL PRODUCTS ON
THE ONE HAND AND A DEEP AND CONSISTENT AND PERMANENT
AND STRONG BELIEF IN ENHANCING HUMAN RIGHTS AROUND
THE WORLD. I MIGHT SAY THAT THE AMERICAN BUSINESS
COMMUNITY, THE CONGRESS OF THE UNITED STATES, THE
GENERAL POPULACE OF THE UNITED STATES SUPPORTS
COMPLETELY A COMMITMENT OF OUR NATION TO HUMAN
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RIGHTS. IT IS A BASIC ELEMENT OF OUR NATIONAL
CONSCIOUSNESS THAT IS NOT A VIOLATION AT ALL
OR NO CONFLICT BETWEEN HUMAN RIGHTS ON THE ONE
HAND AND THE FREE ENTERPRISE SYSTEM ON THE OTHER.

END QUOTE.

8. THIS MESSAGE REFLECTS CONTRIBUTIONS FROM THE
CONSULATES IN RIO AND SAO PAULO. REPORTS OF
FURTHER REACTIONS AND OPINIONS REGARDING
PRESIDENT CARTER'S COMMENTS ON HUMAN RIGHTS AND
PRIVATE BANKS BY BRAZILIAN NON-FINANCIAL SECTOR
SPOKESMEN WILL BE SUBMITTED AS THEY BECOME AVAILABLE.

JOHNSON

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Message Attributes

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